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SUBJECT: MOFA ECONOMIC DIRECTOR GENERAL ON SUB-CABINET
CONCERNS: NEED TO PREPARE FOR SUMMIT

Classified By: Amb. J. Thomas Schieffer. Reason: 1.4 (b,d)

11. (C) Summary: The exchange of information on free trade agreements and discussion of food safety issues remain the most sensitive topics for Japan at the upcoming sub-Cabinet meetings in Washington, according to the Director General for Economic Affairs of the Japanese Ministry of Foreign Affairs (MOFA). Publicity regarding these topics could have serious domestic political repercussions in Japan, the official said. Nevertheless, MOFA, at least, believes a formulation could be found to publicly refer to ongoing FTA exchanges. Japanese willingness to engage with the United States on secure trade issues appears to have strengthened, but the MOFA official downplayed the need for a bilateral exchange on transparency. Although he welcomed greater U.S. activity in APEC, he did not foresee quick consensus within the organization on a Free Trade Area of the Asia-Pacific as the preferred model for regional economic integration. No decision has been made on a location for the 2008 G-8 summit. End summary.

Sub-Cabinet to Set Econ Agenda for Summit

12. (SBU) Meeting with EMIN and ECOUNS on March 28, MOFA Economic Affairs Director General Yoichi Otabe stressed that the agenda for the upcoming sub-Cabinet economic meetings should not go much beyond those areas already discussed: intellectual property rights (IPR), energy efficiency, and secure trade, along with exchanges on transparency, free trade agreements, and food safety. Otabe added, however, that World Trade Organization Doha Round negotiations and cooperation on development assistance should also form a part of

the dialogue. The main purpose of the sub-Cabinet meetings, Otabe indicated, should be to establish the economic content of Prime Minister Abe's meetings with President Bush when the Prime Minister makes his planned visit later in the spring.

FTAs and Food Safety Remain Highly Sensitive Topics

13. (C) The exchanges on food safety and free trade agreements (FTAs) would be the most problematic for the Japanese, according to Otabe. The present political environment in Japan required that both topics be handled cautiously, especially before the upcoming elections, he noted. Japan, Otabe observed, is not yet ready for FTA negotiations with the United States, so while a public statement on the exchanges was possible, it should avoid language indicating that the two countries were even exploring the possibility of a bilateral FTA. (Comment: Willingness to have any public statement on this topic is a change for MOFA. End comment.) The main concern on the Japanese side, Otabe said, is opposition from the country's agricultural lobby. He added that he believed the U.S. textile industry, which would need to abandon its remaining protection in the advent of U.S.-Japan FTA negotiations would also be an obstacle. While Japan had no particular interest in increased textile exports, textiles would need to be included to meet WTO requirements that a free trade agreement cover substantially all trade, he said. State laws also could complicate the completion of an investment chapter in any U.S.-Japan FTA, Otabe speculated. More

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importantly, Otabe emphasized that the United States and Japan, as the world's two largest economies, would seriously undermine the multilateral trade negotiations underway in the WTO if they began movement toward a bilateral FTA. Nevertheless, he indicated that the Ministry of Foreign Affairs was comfortable with the "information exchange" format that had been applied to date, although he stressed that that view was not necessarily shared at the Ministry of Agriculture, Forestry, and Fisheries (MAFF).

14. (C) Turning to food safety, Otabe stated that this issue, too, is politically very sensitive, particularly in light of the series of local and national elections coming up this year. The GOJ does not want the topic of food safety to appear in any public announcement regarding the sub-Cabinet meetings, Otabe said. He acknowledged that discussions on food safety are natural and normal between two large trading partners like the United States and Japan, but emphasized that, in the present political climate in Japan, it would be wiser to avoid any publicity on that topic especially in relation to the Prime Minister's upcoming visit.

Japan Hopes DHS Will Join Secure Trade Discussion

15. (C) As for the other issues such as IPR and energy, much work had already been done between the United States and Japan in these areas and working out some sort of joint document in which they are included should pose no problem, Otabe believed. He expressed regret that officials in Washington did not appear to fully appreciate Japanese efforts to date on these issues. EMIN replied that some additional work on secure trade issues might be needed in order to ensure a bilateral agenda that would sufficiently engage the Department of Homeland Security (DHS), a vital participant on the U.S. side. In addition, despite

Japanese sensitivities regarding discussion of food safety, any effort to move toward greater economic integration between the United States and Japan in the medium to long term must include agriculture, EMIN stressed.

¶6. (C) Otabe acknowledged EMIN's point on DHS participation in the secure trade agenda and noted that, while in Washington recently, he had personally met with officials at DHS and encouraged their participation in the sub-Cabinet process. Nevertheless, he pointed out that all countries have their sensitive economic areas. The U.S.-EU trans-Atlantic partnership, he noted, had progressed little from where it began a decade ago because of fundamental differences on certain issues. Consequently, it was not necessarily good to have too aggressive an agenda. Asked how MOFA responded to interest from the Japan Business Federation (Keidanren) and others in the possibility of a U.S.-Japan FTA, Otabe said he had cited the problem of undermining the WTO and the fact that the United States and Japan already have a range of economic agreements in place as factors that argued against the need for a bilateral FTA. He acknowledged, however, that these arguments had not convinced his interlocutors from the Japanese business community.

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Transparency: No Need for Bilateral Exchange

¶7. (SBU) Otabe also expressed the view that a bilateral exchange on transparency would not be necessary in the context of the sub-Cabinet meetings. Japan had improved greatly in this regard since the days of the Structural Impediments Initiative, he noted. What remained were largely minor issues that did not really merit an independent agenda item in the sub-Cabinet dialogue, especially as they were already being covered in the regulatory reform talks. ECOUNS explained that one of the main issues remaining was lack of foreign participation in Japan's policy advisory councils. Otabe replied that foreigners had been allowed to participate in some advisory bodies. In fact, MOFA had identified four non-Japanese citizens sitting as members of government advisory bodies according to an official of MOFA's Second North American Division who accompanied Otabe. Also, as the interests among members of the foreign community in Japan varied, the Japanese government faced a difficult question of which foreigners should be invited to sit on these bodies and which should not, Otabe stressed. Nonetheless, Otabe allowed that there might be some minor bilateral issues to discuss.

APEC Cooperation Welcome but FTAAP Support Uncertain

¶8. (C) If the United States and Japan were to discuss transparency issues, Otabe averred, it should be in the context of APEC, where it would be beneficial to press other countries in the region to become more transparent in their policy and regulatory processes. EMIN recounted that this kind of cooperation regarding third countries had been a major topic of discussion during the sub-Cabinet exchanges in 2006 and added that many in Washington had gained the impression that Japan had wanted to focus on third country issues to the exclusion of a substantive bilateral agenda. There had also been strong differences regarding the pursuit of a Free Trade Agreement of the Asia-Pacific in the context of APEC during the last round of sub-Cabinet meetings, EMIN noted.

¶9. (C) Otabe welcomed renewed U.S. interest in APEC -- Japan, he noted, had long encouraged greater U.S. attention to the organization -- but cautioned that the ongoing discussions in APEC this year were unlikely to yield agreement on any single option for greater regional economic integration. Too many other proposals from Japan and other member economies -- ASEAN Plus 3 and ASEAN Plus 6, for example -- were already on the table and had strong supporters.

G-8

¶10. (SBU) With respect to the agenda for the annual G-8 meeting, Otabe pointed to environmental protection and climate change as being central agenda items both this year and probably when Japan hosts the meeting in ¶2008. Otabe indicated that the Japanese government's main coordinator on this issue is MOFA Global Affairs Director General Koji Tsuruoka but that it was not yet clear who Tsuruoka's counterpart would be in the USG. Otabe said that Japan had yet to decide on a location

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for the G-8 summit in 2008. As for timing, he noted that Japan would want to wait until the latter half of July after France has assumed the EU Presidency from Slovenia and the U.S. Independence Day and the French Bastille Day holidays have passed.

Comment

¶11. (C) Although he raised all the usual caveats and cautions about pushing an overly ambitious bilateral economic agenda -- and the possible political fallout in Japan that could result if the substance of U.S.-Japan discussions became public -- Otabe seemed more positive than our other MOFA interlocutors regarding our proposals for the upcoming sub-Cabinet meeting. The extent to which this reflects thinking elsewhere in the Foreign Ministry, not to mention other agencies and the Prime Minister's Office, however, is unclear.
SCHIEFFER